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Press briefing teleconference on hydraulic fracturing study and Pavillion
Erik Milito, API upstream director
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Opening statement:

Good morning everyone.

As EPA continues its National Study on the Potential Impacts of Hydraulic Fracturing on Drinking Water Resources, EPA's water quality investigation at Pavillion, Wyoming adds to our concerns about the study. Unscientific testing could produce flawed results that could result in major adverse impacts on shale energy development and the vast potential it has to contribute to U.S. jobs, U.S. economic recovery and U.S. energy security.

At Pavillion, EPA drilled monitoring wells in hydrocarbon bearing formations and seemed to think that the presence of hydrocarbons in the test samples was evidence of a problem with hydraulic fracturing. Furthermore, EPA's procedures could have introduced contaminants in the samples. And EPA wrongly concluded that hydraulic fracturing-related chemicals were in the well water.

Following the release of EPA's Pavillion Draft Report in late 2011, the U.S. Geological Survey (USGS) undertook sampling and analysis of the same Pavillion wells. EPA said the USGS results were, "generally consistent" with what it had found. EPA said, "the USGS data confirms what EPA had already discovered."

However, based on our analysis, this is simply not accurate. The USGS data indicates that the key indicator compounds found by EPA in its 2011 draft report – compounds that EPA claims linked hydraulic fracturing to water contamination – were NOT evident in the USGS sampling. Without doubt, the USGS results are inconsistent with the EPA's 2011 Pavillion Draft Report.

We've looked closely at what the USGS did and at its data. The USGS did a better job. Unlike EPA, it chose NOT to test samples from one of the two wells that EPA drilled because that well was unable to provide representative samples due to its low-flow characteristics. Again, in the well from which the USGS did draw samples, it found that the samples did NOT contain several compounds of interest previously identified by EPA. In addition, while EPA has yet to acknowledge this, hydrocarbons are naturally occurring and have historically been detected in

groundwater in the Pavillion area. It is not unexpected to find hydrocarbons in groundwater in a hydrocarbon-bearing formation.

The USGS findings also raise questions about the adequacy of the monitoring wells EPA constructed and possible misrepresentation of well depths. Poorly constructed wells and poor sampling procedures could cause cross-contamination in the samples. EPA did not follow a transparent, peer-reviewed process that might have helped guide the agency in the use of proven and tested scientific practices.

The Pavillion analysis is critically important because EPA – as part of its separate nationwide study into potential drinking water impacts – is also drilling monitoring wells and collecting and analyzing samples in other places. If EPA thinks its investigation at Pavillion has produced scientifically useful information, then it may proceed in the same inexpert way at other testing sites, assume it is getting additional useful information, and employ that information to justify changes in public policy.

As we continue to see, the states are up to the task of regulating and monitoring hydraulic fracturing operations. This is not just API's view; this is what EPA Administrator Lisa Jackson has said in sworn testimony

to Congress. Despite the drilling of more than 1 million wells employing hydraulic fracturing, there is not one documented instance of hydraulic fracturing-related groundwater contamination.

However, the industry understands that it must do things right. To that end, the industry is committed to protecting the public and the environment, and continues to develop and implement best management practices for drilling wells, managing water resources, and protecting the environment at the surface.

We do not object to EPA studying this issue, but a bad study could be counterproductive, and there are enough missteps and unanswered questions about EPA's Pavillion sampling to raise concerns about the broader HF water study.

We're not calling on EPA to stop its study. Once AGAIN, we're calling on them to do it right.

The shale revolution is changing the face of American energy development. It's boosting domestic oil and natural gas production, putting hundreds of thousands of people to work, and delivering added billions in revenue to state and federal governments. It's also

strengthening our nation's energy security and reducing our trade deficit. But it could do even more, provided the federal government does not create regulatory obstacles based on flawed research.

Thank you. We will provide a written analysis of the USGS tests immediately after our call. Now, I'd be happy to take your questions.